

**REPORT OF THE AUDIT OF THE
FORMER MCCREARY COUNTY
SHERIFF**

**For The Year Ended
December 31, 2006**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
FORMER MCCREARY COUNTY SHERIFF**

**For The Year Ended
December 31, 2006**

The Auditor of Public Accounts has completed the former McCreary County Sheriff's audit for the year ended December 31, 2006. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$4,489 from the prior year, resulting in excess fees of \$9,205 as of December 31, 2006. Revenues decreased by \$3,722 from the prior year and expenditures decreased by \$8,211.

Report Comments:

- 2006-01 The Former Sheriff Should Have Maintained Adequate Documentation For Fuel Disbursements
- 2006-02 The Former Sheriff's Office Lacked Adequate Segregation Of Duties
- 2006-03 The Former Sheriff's Office Lacked Adequate Controls Over Receipts And Disbursements
- 2006-04 Auto Inspections Were Not Properly Accounted For
- 2006-05 The Former Sheriff Had A Deficit Of \$8,648 In His Official Account
- 2006-06 The Former Sheriff Did Not Pay License To Carry Concealed Deadly Weapon Fees To The State Treasurer Monthly
- 2006-07 The Former Sheriff Participated In Related Party Transactions
- 2006-08 The Former Sheriff Should Have Presented An Annual Settlement To The Fiscal Court

Deposits:

The former Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Blaine Phillips, McCreary County Judge/Executive
The Honorable Clarence Perry, Former McCreary County Sheriff
The Honorable Gus Skinner, McCreary County Sheriff
Members of the McCreary County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the former Sheriff of McCreary County, Kentucky, for the year ended December 31, 2006. This financial statement is the responsibility of the former Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the former Sheriff for the year ended December 31, 2006, in conformity with the regulatory basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated July 9, 2008 on our consideration of the former Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to



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provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2006-01 The Former Sheriff Should Have Maintained Adequate Documentation For Fuel Disbursements
- 2006-02 The Former Sheriff's Office Lacked Adequate Segregation Of Duties
- 2006-03 The Former Sheriff's Office Lacked Adequate Controls Over Receipts And Disbursements
- 2006-04 Auto Inspections Were Not Properly Accounted For
- 2006-05 The Former Sheriff Had A Deficit Of \$8,648 In His Official Account
- 2006-06 The Former Sheriff Did Not Pay License To Carry Concealed Deadly Weapon Fees To The State Treasurer Monthly
- 2006-07 The Former Sheriff Participated In Related Party Transactions
- 2006-08 The Former Sheriff Should Have Presented An Annual Settlement To The Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of McCreary County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

July 9, 2008

MCCREARY COUNTY
CLARENCE PERRY, FORMER SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

Federal Grants		\$	8,100
State - Kentucky Law Enforcement Foundation Program Fund			15,023
State Fees For Services:			
Fee Claims	\$	66,715	
House Bill 452		<u>13,906</u>	80,621
Circuit Court Clerk:			
Fines and Fees Collected		4,976	
Court Ordered Payments		<u>2,769</u>	7,745
Fiscal Court			9,579
County Clerk - Delinquent Taxes			1,485
Commission On Taxes Collected			93,096
Fees Collected For Services:			
Auto Inspections		9,675	
Accident and Police Reports		320	
Serving Papers		10,058	
Carrying Concealed Deadly Weapon Permits		<u>3,750</u>	23,803
Other:			
Adanta		2,962	
ASAP Champions Reimbursement		14,000	
Arrest Fee Other Counties		150	
State Delinquent Taxes		2,805	
Sheriff's 10% Add-On Fees		28,975	
Advertising Fees		2,295	
Insurance Payment On Vehicle		1,072	
Automotive Sales		3,808	
Bond Refund		121	
Vending Machine Commissions		29	
Cash Drawer		<u>200</u>	56,417

The accompanying notes are an integral part of this financial statement.

MCCREARY COUNTY
 CLARENCE PERRY, FORMER SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

Revenues (Continued)

Interest Earned	\$	351	
Borrowed Money:			
State Advancement			<u>45,000</u>
Total Revenues			<u>341,220</u>

Expenditures

Operating Expenditures and Capital Outlay:

 Personnel Services-

Deputies' Salaries	\$	100,851	
Other Salaries		20,140	
Overtime		113	

 Employee Benefits-

Employer's Share Social Security		14,057	
Employer's Share Retirement		16,569	
Unemployment Insurance		4,629	
Worker's Compensation		12,464	
Employer Paid Health Insurance		11,827	

 Materials and Supplies-

Office Materials and Supplies		231	
Uniforms		301	

 Auto Expense-

Gasoline		29,184	
Maintenance and Repairs		8,472	

 Other Charges-

Conventions and Travel		85	
Postage		3,791	
Payment to State		469	
Bond		122	
Carrying Concealed Deadly Weapon Permits		1,965	
Miscellaneous		<u>437</u>	225,707

The accompanying notes are an integral part of this financial statement.

MCCREARY COUNTY
 CLARENCE PERRY, FORMER SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

Expenditures (Continued)

Debt Service:

State Advancement	\$ 45,000
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Total Expenditures	270,707
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Less: Disallowed Expenditures	<u>8,033</u>
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Total Allowable Expenditures	<u>262,674</u>
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Net Revenues	78,546
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Less: Statutory Maximum	<u>69,341</u>
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Excess Fees Due County for 2006	<u>9,205</u>
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Balance Due Fiscal Court at Completion of Audit	<u><u>\$ 9,205</u></u>
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The accompanying notes are an integral part of this financial statement.

MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2006

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65,

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the former Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The former Sheriff did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Drug Control Account

A drug control account was opened on April 29, 1994 with forfeited drug money. This money is restricted and may only be used for drug control. The balance as of January 1, 2006 was \$23,766. During the period, the former Sheriff received \$1,990. Expenditures were \$25,499. The unexpended balance of the account was \$257 as of December 31, 2006.

MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 4. Drug Control Account (Continued)

The former Sheriff turned over the unexpended balance to the current Sheriff on March 15, 2007. These funds are not available in the determination of excess fees.

Note 5. Federal Asset Forfeiture Account

The former McCreary County Sheriff maintained a Federal Asset Forfeiture Account. The grant agreements states that "priority should be given to supporting community policing activities, training, and law enforcement operations calculated to result in further seizures and forfeitures." The balance as of January 1, 2006 was \$20. During the period, the former Sheriff received \$4,077. Expenditures were \$676. The unexpended balance of the account was \$3,421 as of December 31, 2006. The former Sheriff turned over the unexpended balance to the current Sheriff on March 15, 2007. These funds are not available in the determination of excess fees.

Note 6. Related Party Transactions

During the year ended December 31, 2006, the former McCreary County Sheriff's Office expended a total of \$8,950 to purchase two automobiles from Smith's Auto Body. An employee of the former McCreary County Sheriff's Office owns Smith's Auto Body. Because of the nature of the relationship between the business and the employee, these transactions are considered related party transactions.

MCCREARY COUNTY
CLARENCE PERRY, FORMER SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2006

Cash in Bank		\$	35,312
Deposits in Transit			1,170
Receivables			28,519
Uncollected Receivables:			
Commissions Due From Tax Account	\$	29	
Interest Due From Tax Account		22	51
			<hr/>
Total Assets			65,052
			<hr/>
<u>Liabilities</u>			
Paid Obligations:			
Outstanding Checks			11,832
Paid Liabilities			
State Advancement	45,000		
Automobile Maintenance	4,907		
Insurance	1,211		
Retirement	119		
Fuel	764		
2005 Tax Overpayment	291		
Newspaper Advertisement	102		
Reimbursement	45		52,439
			<hr/>
Total Paid Obligations			64,271
			<hr/>
Unpaid Obligations:			
Excess Fee Due	9,205		
Road Fund Reimbursement	224		
			<hr/>
Total Unpaid Obligations			9,429
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Total Liabilities			73,700
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Total Fund Deficit as of December 31, 2006		\$	(8,648)
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Blaine Phillips, McCreary County Judge/Executive
The Honorable Clarence Perry, Former McCreary County Sheriff
Members of the McCreary County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the former McCreary County Sheriff for the year ended December 31, 2006, and have issued our report thereon dated July 9, 2008. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former McCreary County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the former McCreary County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the former McCreary County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting: 2006-01, 2006-02, and 2006-03.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former McCreary County Sheriff's financial statement for the year ended December 31, 2006, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items: 2006-04, 2006-05, 2006-06, 2006-07, and 2006-08.

The former McCreary County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the former Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the McCreary County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

July 9, 2008

COMMENTS AND RECOMMENDATIONS

MCCREARY COUNTY
CLARENCE PERRY, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2006

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

2006-01 The Former Sheriff Should Have Maintained Adequate Documentation For Fuel Disbursements

During our testing of expenditures, we found numerous fuel expenditures that did not include signed receipts designating who charged the fuel to the Sheriff's accounts. The only documentation on file was the monthly credit card statement sent out by the credit card company. The former sheriff did not maintain invoices to support the gas charges made on the credit card. He was given an opportunity to obtain the invoices but was unable to obtain documentation for \$7,564 of the gas purchases charged. These charges are disallowed. Good internal controls and the case of Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), hold that expenditures claimed by a fee officer must be supported by proper and accurate documentation in order to be allowable. The former Sheriff should have maintained proper and accurate documentation for all fuel disbursements.

Former Sheriff's Response: The same billing method had been used by our credit card company for several years. The signed receipt was sent to the company to prepare the invoice. We was unable to get some of the receipts back from one company. At no time was we informed on any prior audit to change this method. If we had been, we wouldn't have had this legitimate expense disallowed.

Auditor's Reply: All gas tickets for gas purchases must be maintained by the sheriff's office and matched to the billing card statements to ensure they only are billed for gas used by the sheriff's office.

2006-02 The Former Sheriff's Office Lacked Adequate Segregation Of Duties

The former McCreary County Sheriff's office lacked adequate segregation of duties. The former Sheriff's bookkeeper was involved in all aspects of financial operations of the office. During the course of evaluating the office's internal controls, the following deficiencies were noted:

- (a) Incoming mail receipts were opened and listed by the former Sheriff's bookkeeper. The bookkeeper had access to cash receipts and any accounts receivable records.
- (b) Post-dated checks, disputed items, unidentified receipts, NSF checks, bank charge backs, and similar items were investigated by the bookkeeper, who was not independent of preparation of deposits and posting any accounts receivable details.
- (c) The bookkeeper performed both general cashier functions along with general and subsidiary ledger functions.
- (d) The bookkeeper prepared checks and was an authorized signer. The bookkeeper was not independent of purchasing, receiving, or timekeeping for payroll checks
- (e) Custody of checks after signature and before mailing was handled by the bookkeeper, who was not independent of any payable, disbursing, cash receiving, or general ledger functions.
- (f) Reconciliations were made by the bookkeeper, who also participated in the receipt and disbursement of cash.

MCCREARY COUNTY
 CLARENCE PERRY, FORMER SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2006
 (Continued)

INTERNAL CONTROL – REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:
 (Continued)

2006-02 The Former Sheriff's Office Lacked Adequate Segregation Of Duties
 (Continued)

- (g) The bookkeeper performed and approved all general accounting/general ledger/journal entry functions, and was also involved with the detailed recording of accounts receivable, accounts payable, and purchasing.

The former Sheriff could have implemented the following controls to offset these internal control deficiencies:

1. The former Sheriff could have required dual signatures on official account checks.
2. The former Sheriff could have performed surprise cash counts.
3. The former Sheriff could have recounted all cash before deposited.
4. The former Sheriff could have performed reconciliations of all accounts to agree to the bookkeeper's reconciliations.

Former Sheriff's Response: The Sheriff's Office does not have enough staff to have a segregation of Duties.

2006-03 The Former Sheriff's Office Lacked Adequate Controls Over Receipts And Disbursements

The former Sheriff's office had poor controls over the receipt and disbursement of cash. During the course of the audit the following deficiencies were noted:

- (a) Copies of all voided receipts were not maintained by the official
- (b) The former Sheriff did not deposit all receipts into his official account. Undeposited auto inspection receipts found during the course of the audit indicate this.
- (c) The former Sheriff did not maintain possession of the office's fuel charge card. The owner of the fueling station kept and utilized the office's charge card. Charges were applied by the fueling station owner when instructed by the former Sheriff's personnel to do so.
- (d) Payments for fuel charges were being made without proper and accurate documentation. Documentation indicated only dates and times when fuel was charged. Deputy names, cruiser identification, and odometer readings were not provided.
- (e) Other than Fuel, other disbursements from the Drug Control Account, Federal Asset Forfeiture Account, and Fee Account did not always have accurate and proper supporting documentation.
- (f) Invoices paid from the Drug Control Account, Federal Asset Forfeiture Account, and Fee Account were not always effectively cancelled.
- (g) Disbursements from the Drug Control Account, Federal Asset Forfeiture Account, and Fee Account were not always paid timely. Several occasions were noted in testing where payments were made after 30 working days of receipt of invoice.
- (h) Disbursements did not appear to require the former Sheriff's approval or signature on checks before payments were made.

MCCREARY COUNTY
CLARENCE PERRY, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2006
(Continued)

INTERNAL CONTROL – REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:
(Continued)

2006-03 The Former Sheriff's Office Lacked Adequate Controls Over Receipts And Disbursements (Continued)

The former Sheriff did not appear to review any of the bookkeeper's accounting records, nor did he appear to involve himself in any formal approval of bookkeeping methods performed in regards to any of the official accounts. The former Sheriff should have implemented controls over the receipt and disbursement of cash, and closely monitored the accounting procedures.

Former Sheriff's Response: The sheriff isn't always able to review everything in the office.

STATE LAWS AND REGULATIONS:

2006-04 Auto Inspections Were Not Properly Accounted For

Based on records in the County Clerk's office, we determined that the former Sheriff's office inspected a total of 1,353 vehicles that were licensed in McCreary County during 2006 in accordance with KRS 186A.115. Of this number, no receipts were issued and no funds were deposited for 123 of these inspections. KRS 186A.115(1)(b) states, "[t]here shall be a five dollar (\$5) fee for this certification, payable to the sheriff's office, upon completion of the certification." Based on this statute, the former Sheriff's office should have collected an additional \$615 for auto inspections during 2006. We have included the additional \$615 for auto inspections in the Statement of Revenues, Expenditures, and Excess Fees, which resulted in additional excess fees owed to the county.

We further remind the former Sheriff that KRS 134.160(2) requires the Sheriff to keep an accurate account of all moneys received. Proper fees for auto inspections should have been collected, accurately accounted for, and deposited in the former Sheriff's official bank account.

Former Sheriff's Response: This was corrected during our 2005 audit.

2006-05 The Former Sheriff Had A Deficit Of \$8,648 In His Official Account

Based on our audit, the former Sheriff had a deficit in his 2006 fee account in the amount of \$8,648. This deficit was the result of undeposited receipts for auto inspections totaling \$615, a disallowed \$469 tax penalty payment to the state for 2005, and disallowed expenditures for fuel expenses without adequate documentation of \$7,564. We recommend the Former Sheriff deposit personal funds of \$8,648 to eliminate this deficit.

Former Sheriff's Response: Money that we have in the 2006 account will be paid to Fiscal Court.

MCCREARY COUNTY
 CLARENCE PERRY, FORMER SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2006
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2006-06 The Former Sheriff Did Not Pay License To Carry Concealed Deadly Weapon Fees To The State Treasurer Monthly

During the audit, we noted that the former Sheriff did not pay fees collected for applications for licenses to Carry Concealed Deadly Weapons (CCDW) to the State Treasurer in a timely manner. During 2006, the former Sheriff collected a total of \$3,750 in CCDW fees, of which a total of \$1,965 was due to the State Treasurer. The bookkeeper stated that the former Sheriff's office retained these funds to ensure that there were sufficient funds to pay operating expenses of the former Sheriff's office throughout the year. The amount due to the State Treasurer was not turned over until December. The former Sheriff should have made proper disposition of these CCDW fees to the State Treasurer on a monthly basis.

Former Sheriff's Response: All amounts due the state treasurer was paid in December.

2006-07 The Former Sheriff Participated In Related Party Transactions

During 2006, the former Sheriff expended \$8,950 to purchase two (2) used police cruisers from Smith Auto Body. The former Sheriff's chief deputy owns Smith Auto Body. The County's code of ethics states:

- (a) No county government officer or employee or member of his immediate family shall have an interest in a business organization or engage in any business, transaction, or professional activity which is in substantial conflict with the proper discharge of his duties in the public interest.
- (b) No county government officer shall use or attempt to use his official position to secure unwarranted privileges or advantages for himself.

The former Sheriff should not have participated in any related party transactions to be in compliance with the McCreary County Code of Ethics. This matter is being referred to the McCreary County Attorney for presentation to the McCreary County Board of Ethics.

Former Sheriff's Response: This matter has already been reviewed by the Board of Ethics and found not to be in violation.

2006-08 The Former Sheriff Should Have Presented An Annual Settlement to the Fiscal Court

During the course of the audit, it was noted that the former Sheriff did not present his annual settlement to the Fiscal Court for 2006. KRS134.310(5) states, "[t]he sheriff shall file annually:

- (a) A complete statement of all funds received by his office for official services, showing separately the total income received by his office for services rendered, exclusive of his commissions for collecting taxes, and the total funds received as commissions for collecting state, county, and school taxes; and

MCCREARY COUNTY
CLARENCE PERRY, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2006
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

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(Continued)

- (b) A complete statement of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses.”

The former Sheriff should have presented an annual settlement for 2006 to the Fiscal Court to be in compliance with KRS 134.310(5).

Former Sheriff's Response: None

